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United States for cancellation must therefore be based upon the hope of having the Act of February 9 amended in that respect. A glance at the cost to the American taxpayer involved in such an amendment will show the improbability of the success of any agitation in favor of the amendment. The portion of the war loans raised in the United States which was applied to meet in part America's cost of the war is roughly one-half of the total loans, which aggregated in round numbers \$20,000,000,000, the other half having been loaned to the Allies. For the service of the loans the Victory Liberty Loan Act established a sinking fund on July 1, 1920, and the law permanently appropriates for each fiscal year until the debt is discharged an amount equal to the sum of "2½ per centum of the aggregate amount of such bonds and notes outstanding on July 1, 1920, less an amount equal to the par amount of any obligations of foreign Governments held by the United States on July 1, 1920," plus "the interest which would have been payable during the fiscal year for which the appropriation is made on the bonds and notes purchased, redeemed, or paid out of the sinking fund during such year or in previous years."²²

It will be noted that the indebtedness incurred by the United States to make the foreign loans is not cared for by the sinking fund, as Congress contemplated that foreign repayments would provide for that part of the debt.²³

The Treasury Department calculates that the cumulative sinking fund will retire the funded war debt of the United States, less the amount representing the foreign obligations held by the United States on July 1, 1920, in about twenty-five years.²⁴ It has been further calculated that the amounts required to meet the sinking fund and interest charges on the half of the debt applied to American war expenses will average an aggregate payment of \$685,000,000 annually for a period of twenty-five years.²⁵ As the Act of February 9, 1922, places a limitation of a similar period of twenty-five years for the repayment of the foreign debt, and as the principal and interest charges are substantially the same in both cases, it will be seen that the cancellation of the Allied debts to America will involve the payment by American taxpayers of an additional \$685,000,000 annually for a period of twenty-five years. Concretely, that is the proposition with which any American administration will be faced which undertakes to bring about an amendment of the Act of February 9, 1922, so as to authorize the cancellation of the Allied indebtedness to the United States.

²² 40 U. S. Statutes at Large, p. 1312.

²³ See Section 3 of the First Liberty Loan Act, April 24, 1917, 40 U. S. Statutes at Large, p. 35; Section 3, Second Liberty Loan Act, September 24, 1917, *ibid.*, p. 288; and Section 7, Victory Liberty Loan Act, *ibid.*, p. 1312.

²⁴ Annual Report of the Secretary of the Treasury, 1920, p. 114.

²⁵ A paper read at a dinner of the Council of Foreign Relations in New York City, February 8, 1921, by Dr. C. E. McGuire.

THE SURPRISES AT LAUSANNE

The Near Eastern Conference at Lausanne, which is still in progress at this writing, has developed a number of surprises, which have placed it in the category of really important world conferences. In fact it is as nearly representative of all the great world powers as any international conference has ever been. The three great Allied powers—Great Britain, France, and Italy—are there, of course. Turkey holds the center of the stage. The Danube countries are present, and, naturally, Greece, the immediate cause of the whole parley. But besides these Japan has a seat there, while Russia, through her Soviet Government, is very much on the scene. But even more important than all this, the United States is there in full strength, officially a mere observer, but in reality a vital participant. The only notable absence at the conference is Germany.

AMBASSADOR CHILD'S SPEECH

The first real surprise of the Lausanne Conference came on November 25, when Richard Washburn Child, the United States Ambassador to Italy and head of the American delegation at Lausanne, delivered an address, in which he stated our position on the essentials of the Near Eastern settlement which is now attempted by the conference. In the course of this address, Ambassador Child recalled to the Allied powers the following passages from the United States note sent to their Foreign Ministers on October 30, in connection with their invitation for the United States to be present at the conference:

It is not felt that agreements previously made in respect of Turkish territory, which provide for the establishment of zones of special commercial and economic influence, such, for example, as the Tripartite Agreement of 1920, are consonant with the principle of equality of economic opportunity. It is assumed that the Allied powers will not now desire and do not now intend to carry into effect previous arrangements of this nature. The United States has no desire to take any action which might embarrass the Allied powers in the proper effort to secure peace. It desires nothing which need conflict with the interests of other countries if the principle of commercial opportunity for all nations is recognized at the outset. The United States has no intention of seeking for itself or for its nationals a position of special privilege, but it is desired to protect the rights and to assure the "open door."

After sounding this warning to the Allied powers, Ambassador Child made the following statement:

This conference may be glad to know that the overwhelming sentiment of the people of the United States favors this policy, not only as the national policy, but as one which, were it to be adopted by every nation on earth, would be, in contrast perhaps to the search for territorial or other special privileges on foreign soils, a powerful element in the establishment of any stable peace, a foundation for greater equity in the relations of nation with nation, and a basis for the more progressive economic development of territories.

The Tripartite Agreement referred to in Secretary Hughes' note and recalled to the Lausanne Conference by Ambassador Child was the understanding reached by the Allied powers at San Remo in 1920 for the establishment of their spheres of influence in Turkey. This agreement has been given up since, but there still remains the Anglo-French understanding for a division between them of the important Mosul oil fields. Secretary Colby protested against this understanding at the time it was announced, and Secretary Hughes has followed the same policy of objecting to any

action on the part of the European that would close to Americans important economic possibilities in Turkey.

The question of the Mosul fields may or may not come up for definite settlement at Lausanne. It still remains to be seen whether in the possible redrawing of Turkey's boundaries the Mosul district will remain in the territory mandated to Great Britain under the Treaty of Sevres or will be returned to Turkey.

QUESTION OF THE STRAITS

The second surprise of the conference was the turn taken by the question of the Straits. Here the principal rôle belongs to the Soviet delegation, which literally jolted the conference by proposing a plan in accordance with which the regulation of the Straits would be returned to the pre-war status. This would mean that the Straits would be open in time of peace or war for the commerce vessels of all nations, but closed to war vessels. The Straits would thus be fortified with the Turks as complete masters, which would merely amount to their control by the power which dominates Turkey.

The Turkish delegation naturally found this view entirely acceptable, though the head of the delegation, Ismet Pasha, realized, of course, that the Allies would scarcely consent to it. He issued the following statement:

The Turkish position is that Turkey is master of the Straits and is at home there; it was only natural, therefore, that she should wish first to hear what the European powers want done in the Straits. Turkey has not come into court to ask something; she is going to grant things. The Dardanelles Straits and the Bosphorus being situated in territory under Turkish sovereignty, it goes without saying that the question presents particular interest to Turkey. In order to obtain a solid and durable peace we hope the problem of the Straits may be solved in a manner to conciliate all legitimate interests under discussion. The viewpoint of Turkey, as proclaimed four years ago in the national pact, is that the security of Constantinople, the capital and seat of the Caliphate, and also the Sea of Marmora, be assured against all attack.

This principle once being admitted, Turkey is ready to subscribe to all decisions which may be taken in common accord between the Ottoman Government on the one side and the interested powers on the other, with a view to opening the Straits to world commerce and international communication. Our delegation proposes to build on this basis; our demands will be formulated when we hear the suggestions proposed by the interested States.

The Allied proposition for the solution of the question of the Straits is based on the idea of a demilitarization of the Straits territorial zone. In peace there shall be complete freedom of the Straits for the commerce ships of all nations, but the number of warships should be limited, so that their combined strength should be no greater than that of the strongest powers on the Black Sea. Furthermore, the plan makes the following provisions:

If, however, the Black Sea powers should abandon all their naval forces, individual powers would still have the right to send through the Straits a fleet of three ships, but only one of these ships could exceed a tonnage of ten thousand. If war occurred, in which Turkey was neutral, there should be complete liberty for the powers, with the same limitation as to the number and tonnage of ships as in time of peace. If war should break out and Turkey was a belligerent, neutral warships could pass through under the same restrictions.

Ambassador Child again took an active part in the dis-

cussion, reiterating our position as being in favor of complete freedom of the Straits, and concluding his remarks with the following words:

We—I believe in common with every commercial nation—wish access to every free body of water in the world, and we will not be satisfied if our ships of war may not pursue their peaceful errands wherever our citizens and our ships may go.

Briefly summed up, our position on the whole question is that an unlimited control of the Black Sea and of the Straits by any one power is "against the policy of the world," and that an effective freedom of these bodies of water can be secured only by demilitarization.

THE SOVIET DISARMAMENT CONFERENCE

On December 2 Maxim Litvinov, the Assistant Soviet Commissary of Foreign Affairs, opened in Moscow a Conference on the Limitation of Armament in Eastern Europe. Besides Soviet Russia, five of the States bordering on Russia's western frontier are represented at this conference. These States are Poland, Finland, Latvia, Esthonia, and Lithuania. The only European neighbor of Russia not represented is Rumania, which, though invited, refused to send her delegates, because the Soviet Government would not agree, as a preliminary condition, to sanctioning Rumania's annexation of the Russian province of Bessarabia. It is understood, however, that Prince Radziwill, the head of the Polish delegation, holds Rumania's mandate, so that the Moscow Conference may be considered as representing all of Russia's neighbors in Europe.

HISTORY OF THE CONFERENCE

The present conference is the result of nearly six months' efforts on the part of the Soviet Government to bring about such a parley. The question was first broached after the Genoa Conference, when Chicherin found himself unable to force a discussion of general European disarmament there. In June, during the interval between the Genoa and The Hague Conferences, Assistant Commissary of Foreign Affairs Litvinov addressed a note to the governments of Poland, Finland, Latvia, and Esthonia, inviting them to send delegates to an East European Disarmament Conference in Moscow.

The three Baltic countries accepted the invitation in principle, though Finland and Esthonia asked for further details of the Soviet plan, while Latvia replied that she considered such a conference inadvisable, unless it was preceded by a preliminary parley of the four countries invited that would insure them unity of purpose at the Moscow pourparlers. Poland's reply was greatly delayed, and, when finally given, it stated that Poland could not participate in such a conference as proposed by Moscow until the question of general European disarmament, which was then under consideration by the Council of the League of Nations, would be settled there, one way or the other.

In August the Soviet Commissariat of Foreign Affairs sent out a new note to the four countries originally invited, stating that the date of the conference would be set for September 5. It was explained that, since none of the invited countries had refused the first invitation, the Soviet Govern-